Supply Chain Strain: Distress in Logistics

Sector update

Overview

Recent years have seen an increase in distress in the logistics sector (transport, postal and warehousing) – and that distress continues in 2025.

While the sector enjoyed significant growth during the COVID years, factors such as labour shortages, rising costs and falling asset values have led to an upward trend in insolvencies. ASIC statistics indicate that insolvencies in the sector increased from 196 in 2021-2022 to 734 in 2024-2025, with 105 (and counting) already having occurred in 2025-2026.

From a lending perspective, diligence and careful planning are imperative to protect a secured lender's position in a downside scenario (whether an informal workout or a formal insolvency process). This note sets out some of the key sector specific issues that lenders should be aware of.

375%
increase in insolvencies

High profile examples include **Scott's Refrigerated Logistics**, owned by private equity firm Anchorage. Liquidators were appointed to Scott's in 2023 after a voluntary administration and receivership sale process had been conducted for the group's assets. The liquidation is ongoing.

Outpacing change

1. Be aware of your security position - it can directly affect value

- **General PPS registrations:** Ensure that you have appropriate ALLPAP or ALLPAPE PPS registrations. Be aware of competing PPS registrations that may interfere with your security.

- **Specific PPS registrations:** Consider if there are specific valuable assets that specific security should be taken over to avoid future taking free issues.

- **PMSIs:** Even where you hold specific security over an asset (e.g. a vehicle), other parties may hold PMSI securities that may have priority to your security. For example, a tyre supplier may hold a PMSI over tyres installed on the vehicles to secure payment for services, which may reduce recoveries to the secured lender from the sale of the relevant vehicle in an insolvency scenario.

2. Preparing for an appointment

- **Information gathering:** Current information on the business will be critical to any decision to trade on in an enforcement. While limited information may be obtained from a desktop review, further information gathering should be undertaken (e.g. physical site visits and audits) to ensure that in an enforcement, a receiver/voluntary administrator is able to act quickly to secure company assets and consider the best options for recovery.

- **Minimise the risk of dissipation of assets:** The nature of the logistics industry, with largely movable assets and numerous sites/delivery routes, make loss and dissipation of business assets a significant risk. Insurance may not provide protection where the borrower (by a director or employee) has taken adverse action. While there are no complete solutions, practical steps can be taken pre-appointment e.g. access to vehicle tracking, site audits confirming the general location of assets, and comprehensive records of main shipping routes. Engaging with a specialist in this area will put the secured lender in the best position to protect its position.

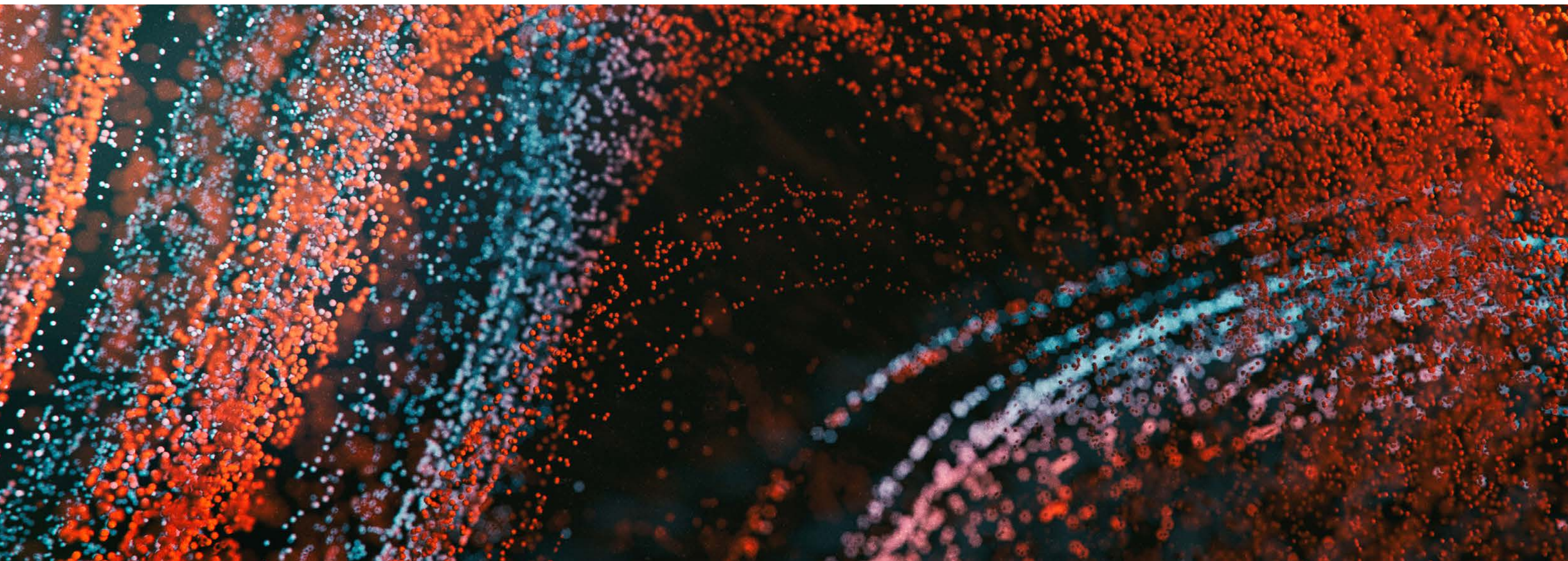
3. Specific appointment issues

- **Site access:** A common issue arising in the early stages of an insolvency appointment is outstanding pre-appointment rent to landlords (which may lead to the landlord locking the company out of the site). In the absence of a pre-existing tripartite arrangement or right of entry, landlords may seek to extract 'ransom payments' to gain access and secure assets on site. Understanding the rental arrears and rental bonds position will be important as a part of enforcement planning. It will also be important to understand if there are timeframes in which assets will need to be recovered and if there are any deemed vesting provisions in the tripartite agreements or leases.

- **Status of site fittings:** If fixtures and fittings (e.g. racking) of material value have been installed on premises, the terms of the lease should be reviewed to confirm whether the borrower has title to the fittings, whether it falls under your security interest, any rights to enter and remove fittings, and any remediation obligations.

- **Invoice financing recoveries:** Invoice financing is common in the logistics sector, however, there are ongoing risks around invoicing fraud and debtor disputes, which can impact recoveries. An appointed insolvency practitioner should carefully review the company's books and records to determine outstanding invoices and book debts that are legitimately recoverable.

> The Ashurst team have deep expertise in this area and we are happy to help you with any issues that you are currently facing.



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