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574,314 Companies Filed for Bankruptcy Last Year. Here's What That Means for Yours.

Akerman Lens

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If your company is grappling with higher costs, shrinking profit margins, or too much debt on the balance sheet, you are not alone. In the United States, bankruptcy filings reached a total of 574,314 in the year ending December 2025, marking an 11% increase over the previous year. The surge is especially significant among commercial Chapter 11 filings, which jumped by 67% in February 2026 compared to the previous year. This trend is widespread, affecting a range of industries including retail, healthcare, energy, real estate, and manufacturing.

What Is Driving This?

Borrowing costs remain elevated, and companies whose debt was structured in 2020 or 2021 at low rates now face refinancing at much higher prices.

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Tariff volatility is squeezing margins for businesses reliant on imported materials, while consumers — particularly middle- and lower-income households — are pulling back. Record credit card debt ($1.233 trillion nationally), persistent inflation, rising delinquencies, and the restart of student loan payments compound the strain on consumer-facing businesses. For middle-market companies, a missed covenant, a key customer pulling back, or a supplier demanding shorter terms can turn manageable stress into a liquidity crisis in weeks.

What Should You Be Doing Now?

Companies with more options are the ones that act early. That means stress-testing your balance sheet against downside scenarios, reviewing debt maturities and covenant cushions before your lender does, and — if you are a lender — scrutinizing borrower exposure, because the default rate across all issuers is running at 4.3%, well above pre-pandemic averages.

Bankruptcy is not the only tool available. Many companies are addressing distress through out-of-court restructurings — renegotiating debt terms, selling non-core assets, or bringing in operational advisors — without entering a courtroom. These processes are faster, less expensive, and less disruptive — but they require engaging before leverage shifts entirely to your creditors.

The Bottom Line

Financial distress is not a character flaw — it is a market condition. The same forces driving filings to decade-high levels are hitting well-run companies with capital structures built for a different rate environment. The businesses that emerge strongest will be those that recognized the warning signs and explored their options before a crisis forced their hand.