All Eyes on Europe as Cracks Emerge in Private Credit

With Intelligence 2026 Private Credit Outlook Charts Record Fundraising in Europe as North American Market Slows

LONDON, UNITED KINGDOM, January 7, 2026 /EINPresswire.com/ -- Cracks are emerging in the once red-hot private credit markets as a combination of ongoing market volatility, rising default rates, and increased use of higher-risk payment structures signal changes ahead for the asset class in 2026. According to the Private Credit Outlook 2026 from With Intelligence by S&P Global, some of the biggest changes include an increased focus on Europe where fundraising hit a record $66bn through the first nine months of 2025, a proliferation of evergreen structures, and the rise of opportunistic, special situations, and distressed debt funds looking to capitalize on a market disruption.

“The private credit market is facing its first big test as evidence of late-cycle behavior continues to build,” said James Harvey, research lead, private credit, at With Intelligence. “After years of allocating overwhelmingly to U.S. direct lending, limited partners are broadening their horizons, both geographically and by sub-strategy, and we expect some of these shifts to significantly alter the current landscape over the next several years.”

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> *James Harvey, research lead, private credit, at With Intelligence*

Following are some of the highlights in the With Intelligence Private Credit Outlook 2026:

- Selective Defaults Tick Up: A series of high-profile leveraged loan defaults and bankruptcies in late 2025 have put a spotlight on growing risks in the private credit market. While the headline default rate in private credit has remained below 2% for several years, once selective defaults and liability management exercises are taken into account, the “true” default rate approached 5% through the first nine months of 2025. Opportunistic, special situations and distressed debt funds have collectively raised $100bn in the past two years, while the 10 largest funds currently in market are targeting almost $50bn – suggesting general and limited partners are looking to build war chests in the event of a turn in the cycle.

• Payment-in-Kind (PIK) Usage Grows: Another key indicator of growing instability in the private credit markets is the increased use of payment-in-kind structures, which are a form of interest payment where accrued interest is capitalized into the loan principal rather than paid in cash. PIK, which was once limited to mezzanine and subordinated debt, is increasingly appearing in senior secured loan documentation, with public business development company (BDC) investments now receiving an average of 8% of investment income via PIK.

• Focus Turns to Europe from North America: European private credit had a breakout year in 2025, with fundraising hitting a record €56bn ($66bn) through the first nine months of the year – 17% higher than 2024’s full-year total of €48bn ($56bn). European funds accounted for 35% of all private debt fundraising in the first nine months of 2025 – up from roughly 24% in each of 2023 and 2024. North America-specific funds, by contrast, raised just $52bn over the same period, or 24% of the overall total – a sharp fall from 2023 and 2024, when North America accounted for around half of all private credit fundraising.

• Evergreen Structures Proliferate: Through June 2025, assets held in evergreen private credit funds surpassed $640bn, up 28% from the end of 2024 and roughly 45% year-over-year. The bulk of evergreen assets under management (AuM) is held in private wealth-focused ’40 Act vehicles – particularly non-traded, perpetual-life business development companies, which have grown from zero in 2021 to more than $200bn today. The five largest listed private markets GPs – Apollo, Ares, Blackstone, Carlyle and KKR – now manage a combined $1.5tn in perpetual capital: around 40% of their combined AuM, up from 35% in 2021.

• Private Wealth to Create Challenges for Institutional Investors: The rapid and sustained swell of private wealth inflows to private credit vehicles will drive significant shift in the limited partner landscape by 2030 and create challenges for institutional allocators. Of the $640bn currently held in evergreen vehicles, around $480bn is held in various private wealth-focused fund structures, including BDCs, interval funds and European semi-liquid funds.

To access the full With Intelligence Private Credit Outlook 2026, please click here.

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