



CMS Bookkeeping, LLC

Providing Clarity, Management & Support for Your Business

605-933-7342 · michelle@bookkeepingcms.com

SOP: Reversing a Bounced Customer Payment in QBO

Last updated October 17, 2026. Screens and menu names may look different depending on your QuickBooks Online version.

Purpose and scope

When a customer's check or ACH payment is returned by the bank, QBO still shows the invoice as paid and the money as deposited. This SOP reverses that in two parts: the bank balance goes down by the bounced amount, and the invoice returns to open in Accounts Receivable (AR).

Use it for any customer payment that was already recorded with Receive payment and deposited, then returned unpaid (NSF, closed account, stop payment, or ACH return). **Do not delete the original payment or the original deposit.** Keeping both preserves the audit trail and keeps the bank reconciliation intact. Complete Procedures A and B together; Procedure C covers the bank's returned item fee.

Procedure A: Take the bounced amount out of the bank

1. Select **+ Create (or + New)**, then **Expense (or Check)**.
2. In **Payee**, choose the customer whose payment bounced.
3. In **Payment account**, choose the bank account the payment was deposited into.
4. In **Payment date**, enter the date the bank returned the payment.
5. In **Ref no.**, enter "NSF" and the original check#, for example "NSF CK# 1042" or "NSF ACH"
6. In the category line, choose **Accounts Receivable**. Enter the **Amount** of the bounced payment and, in the description, "Bounced payment, invoice # ____".
7. Select **Save and close**.

The bank balance now goes down by the bounced amount, and the customer has an open AR item for the same amount. **Match it on the bank feed:** when the returned item shows on the bank feed, select **Match** and match it to this expense. Do not select **Add**, which would create a second withdrawal.

Procedure B: Move the original payment off the invoice

1. Go to **Customer Hub > Customers & Leads** and open the customer.
2. Find the original payment in the transaction list and open it.
3. In the list of outstanding transactions, uncheck the invoice.
4. Check the new expense (it appears as an open item with your "NSF" reference).
5. Confirm the **Amount received** is unchanged and the **Deposit to** field still says what it did originally. Do not change the payment amount or the deposit.
6. Select **Save and close**.

The invoice now shows as open again with its full balance, and the payment is tied to the expense.

Procedure C: Record the bank fee and charge the customer

Record the bank's returned item fee. If the bank charged a fee for the bounced payment, enter it as its own expense so the bank balance matches.

1. Select **+ Create (or + New)**, then **Expense**.
2. In **Payee**, Enter your banks name
3. In **Payment account**, choose the same bank account.
4. In **Payment date**, enter the date the bank charged the fee.
5. In **Ref no.**, enter "NSF fee".
6. In the category line, choose **Bank charges** and enter the fee amount.
7. Select **Save and close**, and match it to the fee on the bank feed.

Pass the fee on to the customer (optional). If your policy is to charge the customer a returned payment fee, create an invoice for the customer using a service item such as "Returned payment fee", linked to an income account like "Bounced check fees". Use the amount you are charging, which may be different from what the bank charged you.

Collect the money. Send the customer their statement or the reopened invoice. When the customer pays again, record a new payment and deposit using the Recording Payments and Bank Deposits in QBO SOP.

Common mistakes

Mistake	What goes wrong	Fix
Deleting the original payment or deposit	Breaks the audit trail and can throw off a reconciled period	Restore from the Audit Log if needed, then follow Procedures A and B
Skipping Procedure B	The invoice still shows paid, so the customer is never billed again	Open the payment and move it from the invoice to the expense
Using Add on the bank feed for the returned item	A second withdrawal and a bank balance that is too low	Delete the duplicate and Match the original expense
Forgetting the bank's fee	The bank register will be off by the fee amount	Record it as a separate expense (see above)

Disclaimer

Last updated: October 17, 2026. QuickBooks Online changes often, so screens, menu names and button locations may look different depending on your QBO version or plan.

General information only. This SOP is for general information and may not fit every business's setup. Please confirm the steps with your bookkeeper or accountant before applying them to your books.

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