



Refunding Customers – Processing a Debit Memo

If a customer has already paid an invoice but needs to be refunded, you will need to [create a credit memo](#) and [apply it against the original invoice](#), then [create a debit memo](#) and finally raise an 'invoice' to pay the customer back.

This guidance details the final step, arranging to pay a customer back. Remember, the debit memo should show the total amount to repay with no VAT.

The repayment works the same as paying a supplier invoice; the debit memo acts as an invoice which is processed through Accounts Payable (AP).

Set up the customer as a supplier

The first step is to set the customer up as a supplier. They may already be an AP supplier, but if not, they will need to be added as a supplier to enable the repayment to be made. You can check this by [searching the Supplier Database](#).

As the customer will not be supplying the University with goods or services, they do not need to go through the normal process of supplier set up. You just need the customer's bank details, supplied in a BACS form or on company letterheaded paper, or as a redacted bank statement for individuals. Follow the guidance [here](#) - the Modern Slavery Act questions can be ignored (answer 'no') and fill in the boxes underneath stating that this is a refund and the supplier will not be used for goods or services. Attach the bank details when prompted.

The supplier account is just set up to facilitate the payment and will be end dated.

Processing the debit memo

Once the customer is set up as a 'supplier', the debit memo can be used as an invoice to pay them, in the same way a regular invoice is paid.

Depending on your department, you may need to send the debit memo to Shared Services Finance or process it within the department. The 'invoice' should be charged to the same account code as the debit memo, i.e. **same** cost centre and source of funds, but **LKMD** as the transaction code, to indicate a refund. When sending to Shared Services, highlight that this is a debit memo rather than an ordinary invoice, and make sure the coding is clearly listed.

If you will process the debit memo yourself, follow the guidance [here](#), clearly stating the reason for the payment is a customer refund and referencing the debit memo number. The debit memo number can also be used as the invoice number.